



DIVISION OF FINANCIAL AND ADMINISTRATIVE SERVICES

Special Education Finance FY13 Updates

Fall, 2012

Missouri Department of Elementary
and Secondary Education

Topics

- ❑ Sequestration Update
- ❑ Due Dates
- ❑ Tiered Monitoring Process
- ❑ Tracking Federal Funds Separately
- ❑ Calculating MOE
- ❑ Excess Cost
- ❑ ePeGs Changes



Sequestration

Sequestration

- The failure of the Joint Select Committee on Deficit Reduction (Super Committee) to produce a bill identifying budgetary savings of at least \$1.2 trillion over ten years has triggered an automatic spending reduction process (called sequestration) that takes effect on January 2, 2013.
- Sequestration Webpage:
<http://www.dese.mo.gov/fas/Sequestration.html>

Sequestration

- ❑ Sequestration Process under the Budget Control Act
 - ❑ Makes across the board cuts of up to 9.1% on all discretionary grants each year over the next 9 years
 - ❑ Deputy Secretary of the U.S. Dept of Education, Anthony Miller, recently indicated sequestration will not affect funding for the 2012-13 school year (see FAS-12-006)
 - ❑ If congress does not act to avoid sequestration, federal funding will be impacted in the 2013-14 school year.

Please note: Even if allocations are reduced, LEAs are still required to maintain local effort (MOE).



Special Education Funding

FY13 Due Dates

Title	Services Year	Due Date
FY13 Part B Budget Application	2012-13	July 1, 2012
FY12 ECSE Expenditure Report	2011-12	Sept. 17, 2012
FY12 Part B FER	2011-12	Sept. 30, 2012
Coordinated Early Intervening Services (CEIS) Report	2011-12	Sept. 30, 2012
Public Placement Fund Application	2011-12	Oct. 31, 2012
High Need Fund Application	2011-12	Nov. 30, 2012
Readers for the Blind Application	2012-13	Nov. 30, 2012
Request to Release Prop Share Carryover Funds	2012-13	March 1, 2013



Fiscal Monitoring

Tiered Monitoring Process

<http://dese.mo.gov/ls/index.html>

Cash Management Plan

<http://dese.mo.gov/fas/CashManagementPlan.html>

Tiered Monitoring

- ❑ Department-wide
- ❑ Transition from MSIP's cyclical review model to a three-year cohort model
- ❑ LEAs divided into 3 Cohorts
- ❑ Various levels of monitoring:
 - ❑ Desk Audit
 - ❑ Desk Monitoring (Self-assessment)
 - ❑ On-site Monitoring
 - ❑ Telephone Monitoring

Tiered Monitoring

Timeline

Task	2011-12	2012-13	2013-14	2014-15	2015-16
Desk Audit	Cohorts 1,2,3	Cohorts 1,2,3	Cohorts 1,2,3	Cohorts 1,2,3	Cohorts 1,2,3
Desk Monitoring		Cohort 2	Cohort 3	Cohort 1	Cohort 2
On-site /telephone		Cohort 1- 10% for On-site and 10% for telephone	Cohort 2- 10% for On-site and 10% for telephone	Cohort 3- 10% for On-site and 10% for telephone	Cohort 1- 10% for On-site and 10% for telephone
Clean-up			Cohort 1- 10%	Cohort 2- 10%	Cohort 3- 10%

Tiered Monitoring

- ❑ IMACS will be used to collect documentation for Desk Monitoring
- ❑ Special Education required financial documentation may include:
 - ❑ Invoices/POs
 - ❑ A-87 forms
 - ❑ Inventory list
 - ❑ MOE calculation documentation
 - ❑ GL showing federal funds tracked separately

Tiered Monitoring

- ❑ Possible Risk Factors for On-site/Telephone Review
 - Amount of federal funds (large amounts = greater risk)
 - A-133 audit findings
 - Late MOSIS/Core Data Reports
 - Financial Distress
 - Administrator Changes/Other Issues Reported by Auditor or LEA
 - Late FER
 - Late Budget Application

Cash Management Plan Policy

- ❑ Department-wide
- ❑ Criteria
 - ▣ Fiscal Compliance
 - ▣ Possible Closure or Annexation
 - ▣ Accusations of Fraud or Abuse
 - ▣ Financially Distressed
 - ▣ Late Budget Submission
- ❑ Payment Request Supporting Documentation Form required for each payment request for each applicable grant

Top Monitoring Findings

- ❑ Federal expenditures not tracked separately
- ❑ MOE documentation
- ❑ No inventory/tracking of equipment
- ❑ No certification/logs for federally paid employees
- ❑ Obligations prior to budget applications
- ❑ CMIA / Cooperatives
- ❑ Capital Outlay Requirements

Special Education Expenditure Coding

INFORMATION FOR YOUR BOOKKEEPER

Missouri Financial Accounting Manual

http://dese.mo.gov/divadm/finance/acct_manual/CompleteAccountingManual.html

Mo Financial Accounting Code Structure

The overall code structure is designed to standardize account coding across all LEAs.

It creates a common language for use in controlling, recording, accumulating and reporting activities of school districts.

- Expenditure Function Codes
- Expenditure Object Codes
- Project / Source Codes

Expenditure Function Codes

- ❑ Function codes describe the action, purpose or program for which funding is used.
- ❑ Function codes are based on either:
 - ▣ Uses of the revenues providing for services, or
 - ▣ Statutory or administrative rule requirements for usage.
- ❑ **No revenue code has its own corresponding, separate, specific function/program code.**

2012-13 Function Codes

Description	Function Code
Special Education and Related Services	1221
Coordinated Early Intervening Services	1223
Proportionate Share Services	1224
Tuition, Severely Disabled Program Within the State	1931
Professional Development	2200
Transportation and Maintenance	2500
Facility Acquisition and Construction	4000
ECSE Transportation (MOE only*)	2559
All other ECSE Services (MOE only*)	1280

* All ECSE State Revenue should be reported on MOE under 2559 & 1280

Special Education Function Codes

1221 – Special Education and Related Services

Instruction specially designed to meet the unique needs of a child with a disability and other such developmental, corrective and supportive services as required by the child's Individualized Education Program (IEP) through the Individuals with Disabilities Education Act (IDEA). (Includes Homebound Instruction for students with IEP's.)

Special Education Function Codes



1223 – Coordinated Early Intervening Services (CEIS)

Programs supported with IDEA funds for students in grades K-12 who need additional academic support to succeed in their general education environment, but who have not been identified as needing special education services.

Special Education Function Codes



1224 – Proportionate Share Services

Programs and services supported with IDEA funds for home schooled and parentally-placed private/parochial school students with disabilities. This code may **only** be used to record those expenditures made to meet the requirements of 34 CFR 300.132-300.144 and Appendix B to Part 300 for the above stated services.

Special Education Function Codes



1931 – Tuition, Severely Disabled Program Within the State

Tuition paid to state institutions approved by the Department's Office of Special Education. For ePeGs purposes, tuition paid to out of state institutions or private institutions outside of the state approved by the Department's Office of Special Education will also be included under 1931.

Expenditure Object Codes



- ❑ Object codes identify the service or item obtained with specific funding.
- ❑ Object codes are based on how a particular expenditure is paid out or planned to be paid out.

Object Codes

Description	Object Code
Certificated Salaries	6100
Non-Certificated Salaries	6150
Employee Benefits	6200
Purchased Services	6300
Materials and Supplies	6400
Capital Outlay (including equipment)	6500

Separate Tracking



All federal funds MUST be tracked separately from other funding sources.

☐ **EDGAR 74.21(2)**

- Records that identify adequately the source and application of funds for federally-sponsored activities.

☐ **EDGAR 75.702**

- A grantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds.

☐ **MO Financial Accounting Manual**

- Federal funds generally require separate identification and reporting within the LEA's audit report.

Tracking Expenditures

Special Education Expenditures tracked for various reporting purposes:

- ☐ Annual Secretary of the Board Report (ASBR)
- ☐ Part B Payment Requests
- ☐ Part B Final Expenditure Report
- ☐ State Funds used for Special Education (MOE reporting)
- ☐ Local Funds used for Special Education (MOE reporting)
- ☐ ECSE Expenditures

Expenditure Source



QUESTION:

How can a District/LEA track State, Federal, and Local expenditures?

ANSWER:

Use Source/Project Codes for each expenditure.

Source/Project Codes

Defined in DESE MO Financial Accounting Manual:

- ☐ Pre-Set Codes; or
- ☐ District/LEA may use own code

Codes used for:

- ☐ Tracking expenditure fund sources
- ☐ As a project identifier

Helpful in separate tracking of expenditures:

- ☐ Special Education Maintenance of Effort (State/Local)
- ☐ Special Education IDEA Part B Expenditures (Federal)

Source/Project Codes



Examples:

41 – Federal IDEA Part B Entitlement Funds

42 – Federal Competitive Improvement Grant

10 – State Special Education Funding

01 – Local Funding Sources

Source/Project Code Examples

Special Education Teacher Example:		
Function Code	Object Code	Source of Funds/ Project Code
1221-	6100-	41
(Special Education)-	(Certificated Salaries)-	(Federal Entitlement)
Special Education Contracted Transportation Example:		
Function Code	Object Code	Source of Funds/ Project Code
2500-	6300-	10
(Special Education)-	(Contracted Transportation)-	(State)
Proportionate Share Speech Language Therapist Example:		
Function Code	Object Code	Source of Funds/ Project Code
1224-	6100-	41
(Proportionate Share)-	(Certificated Salaries)-	(Federal Entitlement)



Maintenance of Effort (MOE)

Maintenance Of Effort (MOE)

(34 CFR §300.203)

Funds provided to a District/LEA under Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the District/LEA from local funds below the level of those expenditures for the preceding fiscal year.

Maintenance of Effort (MOE)

District/LEA is required to spend the same amount in total or per capita (child) basis for students with disabilities as it spent from those same sources in the prior year of either:

☐ Local Funds only



OR

☐ Combination: State and Local Funds



Calculating MOE

Include ONLY special education expenditures paid from
non-federal sources

Do Not Include Expenditures Paid With:

- ☐ Federal Part B
- ☐ Federal ECSE
- ☐ Medicaid
- ☐ Federal High Need Fund
- ☐ Federal Grants (e.g. Elementary Achievement / PST Grants)

Calculating MOE

LEAs should NOT use the “back- out” method to determine MOE.

The “back-out” method is deducting federal revenues from total special education expenditures to determine MOE.

Calculating MOE – State & Local

1. Code all Special Education expenditures to a special education function code.
2. Determine what Special Education expenditures will be paid with federal, state, and local funds.
3. Tag all **federal** special education expenditures with a project/source code to identify it as a **federal** special education expenditure.
4. Anything remaining that is not tagged with a federal project/source code will be the MOE amount.

Calculating MOE – Local Only

1. Code all Special Education expenditures to a special education function code.
2. Determine what Special Education expenditures will be paid with federal, state, and local funds.
3. Tag all **federal** special education expenditures with a project/source code to identify it as a **federal** special education expenditure.
4. Tag all **state** special education expenditures with a project/source code to identify it as a **state** special education expenditure.
5. Anything remaining that is not tagged with a federal or state project/source code will be the MOE amount.

MOE Calculation Assistance

Special Education Only Expenditures	CURRENT YEAR			BUDGETED NEXT YEAR		
	EXPENDITURES PAID FROM FEDERAL FUNDS	EXPENDITURES PAID FROM LOCAL FUNDS	EXPENDITURES PAID FROM STATE FUNDS	EXPENDITURES PAID FROM FEDERAL FUNDS	EXPENDITURES PAID FROM LOCAL FUNDS	EXPENDITURES PAID FROM STATE FUNDS
	DO NOT include amounts in MOE!	Include Amounts in MOE if applicable (see instructions)	Include Amounts in MOE if applicable (see instructions)	DO NOT include amounts in MOE!	Include Amounts in MOE if applicable (see instructions)	Include Amounts in MOE if applicable (see instructions)
Capital Costs (renovation, construction, real estate, etc.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clerical Staff	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coordinated Early Intervening Services (CEIS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coop Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ECSE Reimbursement	\$ -	n/a	\$ -	\$ -	n/a	\$ -
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extended School Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Guidance Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupational Therapist	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operation of Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Paraprofessionals/Teacher Aides	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Physical Therapist	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proportionate Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Psychology Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Education Administrator	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Education Process Coordinator	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Speech/Language Pathologist	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Substitutes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teachers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation (Pupil)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel (Employee)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tuition, Severely Handicapped	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tuition to another district	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Maintenance of Effort Options:

1. Total "Local Funds Only" method. The LEA must be able to separate out Local and State Special Education Expenditures in their accounting system to be able to use this method. Use the "Total Local Funds" column if claiming this method.
2. Per Child "Local Funds Only" method. Formula: Total Local Only funds divided by the December 1 child count = Per child rate. DESE compares the "rates" to be sure MOE has been maintained. This method is useful when the LEA has a drop in December 1 child count.
3. Total "Local and State Funds" method. If you are not able to separate "Local and State", enter the total in the State Column. Otherwise, add together the Local and State Totals for MOE if claiming this method.
4. Per Child "Local and State Funds" method. Formula: Total Local and State funds divided by the December 1 child count = Per Child Rate. DESE compares the "rates" to be sure MOE has been maintained.

MOE Reporting



The District/LEA reports MOE in the Part B Final Expenditure Report (FER).

MOE Example 1—Total Expenditures

Meeting MOE using TOTAL Special Education expenditures

(Local only or Combination State/Local):

Example:

2010-11: \$50,000

2011-12: \$40,000 (Less than 2010-11—Must explain)

2012-13: \$50,000 (Greater than 2011-12—MOE okay)

Current year expenditures may only be less than prior year if allowable exceptions or adjustment can be claimed.

MOE Example 2—Per Child Basis

Formula:

Total MOE / Dec. 1 Count = Per Child Amount

Example:

2010-11 \$50,000 / 14 Child Count = \$3,571

2011-12 \$40,000 / 9 Child Count = \$4,444 (\geq \$3,571)

2012-13 \$39,000 / 8 Child Count = \$4,875 (\geq \$4,444)

MOE Budgeted vs. MOE Actual



2011-12 Budgeted MOE reported in the 2010-11 FER

- ❑ Must Budget an amount \geq 2010-11 MOE
- ❑ No upfront approval on projected 2011-12 Exceptions or MOE Adjustment

2011-12 Actual MOE reported in the 2011-12 FER

- ❑ Applicable Exceptions or Adjustment taken

MOE Exceptions

- ❑ Voluntary Departure of Special Education Staff
- ❑ Decrease in Enrollment of Children with Disabilities
- ❑ Termination of a Costly Obligation for a Specific Child
- ❑ Assumption of the Cost by the High Need Fund
- ❑ Termination of a Costly Long-Term Purchase

These are the ONLY allowable exceptions to MOE

MOE Adjustment



IDEA allows LEAs to reduce MOE threshold when allocations increase from one year to next.

This reduction assists LEAs in spending the increase in federal funds.

LEAs identified as “Needs Assistance” are NOT allowed to take the MOE adjustment.

What If MOE is Not Met?

District/LEA must pay DESE back the amount of MOE not met from either **LOCAL** or **STATE** funds. The MOE is NOT re-set to the lower amount; it is maintained at the amount from the previous year.

Example:

FY10 : \$150,000

FY11: \$140,000 (MOE NOT MET – LEA is required to pay DESE \$10,000 from Local or State funds)

FY12: MOE amount the LEA must meet is \$150,000



Excess Cost Requirement

Excess Cost (34 CFR §300.16 & 300.202)

- ❑ Amounts provided to an LEA under IDEA Part B may be used only to pay the excess costs of providing special education and related services to children with disabilities.
- ❑ Excess costs are costs in excess of the average annual per-pupil expenditure in an LEA during the preceding school year.
- ❑ LEAs must spend at least the average annual per student expenditure on the education of students with disabilities before Part B funds are used to pay the excess costs of providing special education and related services.

Excess Cost Calculation

- The Department will calculate the Excess Cost each year for LEAs sometime after the beginning of January.
- The Excess Cost calculation is more stringent this year than it has been in the past.
- Failure to meet the Excess Cost requirement could result in the LEA returning expended federal funds.

Part B IDEA Requirements

- More information regarding Part B IDEA Requirements can be found under Part B Fiscal Guidance at:

<http://dese.mo.gov/divspeced/Finance/partbentitlement.html>

- Part B Federal Expenditure Requirements – “Cheat Sheet”
- Part B Federal Expenditure Requirements PowerPoint



ePeGs Changes



Budget Application

FY14 Part B Budget Application

Coordinated Early Intervening Services (CEIS)

CEIS are services provided to students in grades K-12 who are not currently identified as needing special education or related services, but who need additional academic and behavioral supports to succeed in a general education environment.

- CEIS carryover
- CEIS calculation (611 & 619)
- CEIS Edits

FY14 Part B Budget Application

□ Equipment Page - NEW

- **Equipment** is tangible, non expendable personal property having a useful life of more than one year and an acquisition cost of \$1,000 or more per unit.
- **Unit Acquisition Cost** is the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the costs of installation, transportation or taxes should be included in the unit acquisition cost.

FY14 Part B Budget Application

□ Equipment Page - NEW

- Information for equipment budgeted under 1221-6500 , 1223-6500, and 1224-6500 will be entered on the Equipment Page
- Will not allow amounts to be budgeted under 1931-6500 & 2200-6500
- Remember: Items less than \$1000 per unit should be entered under Object Code 6400 – Materials & Supplies

FY14 Part B Budget Application

□ Equipment Tracking

- LEAs must ensure federal requirements for equipment records and physical inventory of equipment are followed.
- For information regarding the requirements for equipment records and the physical inventory of equipment, please review the *Equipment and Real Property Management* section of the **Fiscal Guidance for Federal Grant Programs** at: <http://www.dese.mo.gov/fas/documents/fas-GeneralFederalGuidance.pdf>

FY14 Part B Budget Application

□ Capital Outlay Page - NEW

- Prior approval MUST be obtained from DESE before obligating or expending Part B funds for capital outlay projects.
- Information for capital outlay budgeted under 2500-6500 & 4000-6500 will be entered on the Capital Outlay Page.
- If the purchase will be utilized by both special education and non-special education students, the cost must be prorated.

FY14 Part B Budget Application

Capital Outlay Type	Definition	Function/Object Code
Construction	The building of a new structure.	4000-6500
Alteration/Renovation	The modification of an existing structure. Only allowed on LEA-owned property.	4000-6500
Real Estate	The purchase of a structure or land.	4000-6500
Bus Purchase	Any bus purchased to transport more than 10 students must meet the min. standards for school buses.	2500-6500
Vehicle Purchase	Same standards if >10	2500-6500

FY14 Part B Budget Application

- Capital Outlay Page - NEW
 - Requirements related to construction/renovation/buses:
 - Uniform Federal Accessibility Standards
 - American Disabilities Accessibility Guidelines
 - Education Department General Administrative Regulations (EDGAR)
 - OMB Circular A-87 General Requirements
 - Davis-Bacon Wage Rate Provisions
 - MO Bus Standards

FY14 Part B Budget Application

- Schoolwide Election Page - NEW
 - LEAs may use Part B IDEA (611) funds for any activities under its schoolwide program plan but must comply with all other requirements of Part B of the Individuals with Disabilities Education Act (IDEA) to the same extent as it would if it did NOT consolidate funds under Part B of the IDEA in the schoolwide program. This is for both fiscal and compliance related requirements.

Part B IDEA Pooling Options

- LEAs may pool a portion or the maximum allowable amount of their Part B IDEA allocation.
- LEAs may pool a portion of their state/local funds for special education, or all of their state/local funds for special education.
- LEAs may pool both Part B IDEA and state/local funds for special education.
- LEAs may not consolidate their ECSE (619) funds into the schoolwide pool.

FY14 Part B Budget Application

□ Maximum Allowable Amount

According to 34 CFR §300.206:

**Amount of Part B funds received by the LEA for the fiscal
year**

Divided by

Number of children with IEPs in the LEA

Multiplied by

**Number of children with IEPs participating in the
schoolwide program**

FY14 Part B Budget Application

□ Maximum Allowable Amount

Then, we must:

■ Subtract Proportionate Share Funds

- Proportionate Share obligations act like a set-aside
- Districts may not use this set-aside amount in the schoolwide pool

■ Subtract CEIS funds, if 15% is mandated

- Coordinated Early Intervening Services (CEIS) funds will only be treated like a set-aside when the district is mandated to use the funds because of significant disproportionality issues. Otherwise, they may be pooled.

■ Subtract any expended Part B funds

FY14 Part B Budget Application

□ Schoolwide Election Page -NEW

- LEAs choosing to include Part B funds in the schoolwide pool must complete a schoolwide election page
- Indicate which buildings with approved schoolwide plans will include Part B funds in the pool
- Indicate the amount of Part B funds to budget in the schoolwide pool for each selected building

FY14 Part B Budget Application

- Whether pooling the maximum allowable amount or a portion of Part B IDEA allocation, LEAs must submit both a Schoolwide budget application and a Part B IDEA budget application even if there are no set asides.
- Any amendments to one application will result in the need for an amendment to the other program's application.



Payment Requests

FY14 Payment Requests

- Payment requests in 2013-14 will mirror FER grid
 - Expenditures will be entered in each function/object code cell below budgeted amounts
 - Expenditure data can only be entered into cells in which funds have been budgeted
 - If exceed 10% by object code, LEA must change payment request amount or revise budget
 - Payment request formula is:
Actual Cumulative Program Year Expenditure to Date
- Amount Paid to Date



Final Expenditure Report (FER)

FY13 Part B FER

- Coordinated Early Intervening Services (CEIS) Reporting Verification Sheet (RVS) included on Supporting Data Page
- CEIS/MOE Adjustment Edits – CEIS and MOE reduction amounts added together cannot exceed the max available for MOE reduction
- 10% variance on FER – Object Code expenditure totals may not exceed 10% of the total budgeted amount

ANGIE NICKELL
DIRECTOR
SPECIAL EDUCATION FINANCE

angie.nickell@dese.mo.gov
573-751-4385